

Chief, Manufacturing Sectors Branch, D/I

26 January 1959

Deputy Chief, Industrial Division, ORR

Review of Project 30.2043, The Development of the Machine Building Industry in Communist China, 1949-62

1. Subject project is a comprehensive and penetrating analysis of the status and problems of the machine building industry of Communist China. As an analysis, the paper is unusually discerning and appears to be essentially sound. In my opinion it will make a valuable contribution to the community and should therefore be submitted for publication.

2. Although detailed comments and suggestions are attached, the major obstacle to publication in the present form is posed by the length of the paper. Because it is almost 300 pages long, much of its good analysis is obscured by detail. In addition, however, the material as now organized is repetitive to the extent that many of the conclusions are diffused and weakened. In my opinion a good deal of the repetition results from the separate treatment of problems under investment, production and theory of development. The elimination of duplication under these separate rubrics would tighten the organization, reduce the length, and emphasize the findings. Attention is also called to the discussion throughout the paper of such problems as growth, scale, balance, specialization, and economic factors. It is on this discussion that the merit of the paper depends in large part. At present this discussion is also too diffused and repetitive. Treatment of each of these subjects should also be consolidated so as to shorten the presentation and render it more effective.

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Attachment:

Comments on Project 30.2043

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Comments on Project 30.2043

P. 2, line 1.

7,100 yuan. Add million?

Note xx. Too detailed for Summary. Note on p. 18 is sufficient.

Pp. 3-4.

Failed? Completely - or in important respects. Or, better - found wanting.

P. 7, Introduction.

Reads more like a Foreword.

P. 10, ff, referring to past plans.

Replace conditional with past tense.

P. 13, paragraph 1.

Total industrial investment. In current prices?

P. 17, paragraph 2.

Source for 60/40 breakdown?

Pp. 23-24.

The relationship between crude and finished steel should be checked with M/FM. I have had the impression that most or at least a high percent of scrap consisted of billet clips and that these were re-circulated as crude steel. Doesn't finished steel development usually lag behind crude steel? At the same time, it is true that steel castings produced in machine building plants do include re-circulated scrap, but this often does not get counted at all in crude or finished steel production since it is not produced by the metallurgical industry.

A further problem may exist in Table I. If steel output is measured in physical volume and machinery products in gross value, would not the value added factor together with double counting cause machine building to appear to grow faster than steel output? Is machine building output available in tons?

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Pp. 25-26.

Confirms above comments.

P. 27, Tabulation.

Distinction between the two types of metal in Col. 2 and 3 not clear.

Pp. 22-28.

I suspect that this illustrative material on disparities in growth between machine building and metal and power production will be so well developed under Production that it can be drastically cut at this point.

P. 31, paragraph 1, last sentence.

Won't location in new areas raise the same problem of non-productive investment? One answer would seem to lie in locating industry in urban areas that have an unused potential of cultural and social facilities, but are there such centers in China?

P. 38, last 2 sentences.

Next to last sentence incomplete. Does it add anything to last sentence?

Pp. 47 ff.

Suggest renumbering the regions here and in Table 6 as per map referred to in Note, p. 188; also including reproduction of map.

Where is electronic equipment in Table 6? If under electrical should this term be redefined as Electrotechnical in Table 6?

P. 57, 2d paragraph, 1st sentence.

Compare "considerably" with last complete sentence on p. 56.

P. 183, Table 9.

Drop West German column - too many NA's.

Pp. 196 ff., Table 11.

Are 1958 figures planned or estimated? Identify. If estimated, indicate preliminary estimate.

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Pp. 71 ff., D.

This section duplicates the preceding section, pp. 58-60. The two sections should be combined and shortened considerably. This should save about 10 pp. The present section on Volume of Output actually deals with the Product Mix. Let's drop the heading Product Mix, entirely, move the discussion of plans (shortened) up, and combine the discussion of production and product mix under specific product headings as in the present Product Mix section, but shortened. Separation would have been justified had we had more aggregate data on the branches of the machine building industry.

Pp. 76-77.

What is distinction between types of motors China can and does produce? Note use of term: Various types, 3 times in one paragraph. This phrase is overworked throughout the section.

P. 90, lines 2 and 3 from bottom of p.

Delete. Duplicates first complete sentence on p. 91.

P. 92, 1st sentence.

Note change in sentence structure.

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P. 98, following [REDACTED] comment, end paragraph 1.

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Suggest: Addition to [REDACTED] comment to indicate objective to be furthered by complementarity. Then change following sentence to state: Achievement of this goal [or these goals] requires that investment ...

Adjust first sentence of following paragraph in terms of these objectives rather than interrelated parts.

P. 112, quotation at top.

If kept, should be tied in to lead sentence. However, this whole section appears to repeat previous material in the paper - e.g., in I. A. Basic Investment Priorities., I. D. Investment Problems, and III. G. Production Problems.

P. 114, first full paragraph.

Discussion of non-productive investment duplicates II. D. 2, Excessive Non-Productive Investment, p. 29.

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P. 132, first sentence.

Meaning of ratios not clear. What to what?

P. 139, 2d paragraph.

For electric locomotive engines, read electric locomotives; for internal combustion locomotive engines, read diesel locomotives. OK?

P. 146.

Have recent oil discoveries in China changed this situation? Is the development of a Soviet oil surplus leading the USSR to develop China as an oil market?

P. 203, Fig. 14.

Drop line: "Complete plants" for countries where not available. Show any comments as footnote to Machinery and Equipment.

P. 161, line 2.

Can we drop "could satisfy" and say "satisfied," "met," or "was meeting"?

Pp. 164-177, VI. Capabilities, etc.

Let's drop this section. Move the information on branches of industry back into the part of the paper that discusses the branches of industry to the extent not already discussed there. Some of the general material under Capabilities would fit into Chapter V on the 1958-62 plans, or elsewhere. Vulnerabilities can be discussed in connection with the discussion of problems, wherever it is decided to consolidate the discussion of problems. Intentions can be considered under 2d FYP.

P. 178, VIII. Conclusion.

Blend into Summary.

P. 178, line 11.

Isn't "disastrous," too strong?

P. 179, Appendix A.

Would it simplify this list to break it down into a tabulation

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with two columns:

<u>Equipment for Industry</u> <u>Named</u>	<u>Other machinery</u> <u>and equipment</u>
Light industry	Machine tools
Food industry	Boilers
Printing and publishing industry	Primary engines
Construction	Tractors
Metallurgy and mining	Ships
Chemical industry	[Etc. - listed]
Railways	
[Etc. - listed]	

Pp. 211-12.

It is not clear what was left under the jurisdiction of the Ministry of Heavy Industry between 1952 when the First and Second Ministries were created and 1956, when the MHI was abolished.

Pp. 215-216.

Should this chart be dated?

Pp. 217-277, Appendix D, Plant List.

Consider publication as an RA.

P. 278, Appendix E.

Not methodology for entire paper. Identify as Methodology for Determination of Investment, First Five Year Plan (1953-57) or other suitable title.

In paragraph 2 first sentence again identify period referred to.

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P. 281, last paragraph.

What is source of 19.8 billion yuan total investment in industry, 1953-56? RR 142, p. 59 shows 27,380 yuan for 1953-57. Subtracting 7,430 bil yuan for 1957 leaves 19.95 or 20.0 bil yuan for 1953-56. This would reduce the 3.53 figure to about 3.49, and would reduce the 1957 total for the First Ministry of Machine Building to about 940 million yuan. Recheck these numbers.

P. 278, 2d paragraph.

How is "entire industrial capital construction investment" defined? Does the 26% for machine building refer to the same definition of investment?

How does industrial capital investment differ from total industrial investment referred to on p. 13, paragraph 2?

P. 279, 1st full paragraph.

Is the 2.55 bil yuan invested in the machine building industry (1953-56) ~~for investment~~ comparable to the 27.38 bil yuan ICCI referred to on p. 278 above?

P. 282.

The second methodology assumes that investment in the First Ministry was in direct proportion to the growth in output of the Machine Building Industry, which ignores time lags and other factors. This approach is very questionable. What alternatives can you suggest?

General comment:

A graphic should be inserted in II. B. showing 1st FYP industrial investment in relation to total investment, broken out by the three pertinent machine building ministries, by additions to fixed assets, etc.

Production in industry as a whole and in machine building should also be shown graphically and if possible graphic comparisons should be made of the effects of investment on production as a whole or on output per worker in machine building.